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ABSTRACT

Economic Policy Response to the Pandemic: From COVID-19 Emergency to Economic Democracy

This review of UK economic policy responses to the Covid-19 crisis identifies serious problems with existing measures. We describe alternative policies which could alleviate hardship, protect business from destruction in the growing depression, facilitate recovery with full employment in a Green New Deal, and redistribute income and power with economic democracy in the workplace. Only such policies can ensure high quality work for all, the natural rights of self-determination at work, and equitable sharing of the surplus that is produced by all employees as intentional agents. The proposed reforms are opposed by the strong vested interests which currently hold most power, so mobilising popular support and achieving real change will require a long struggle, just as attaining political democracy a century ago did.

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1. *Introduction*

The crisis of the present is unlike any other in living memory. Most obviously, it represents a challenge to life itself. In the UK, death rates from the Covid-19 pandemic are over five times higher than Germany and many other European countries – a fact that points to a legacy of policy failures (Johns Hopkins, 2020; Monbiot, 2020). But there is also an acute economic challenge. Large parts of the UK economy have been closed down and workers and employers have been made involuntarily inactive. The Bank of England expects UK GDP could be around 30% lower in the second quarter of 2020 than it was at the end of 2019. The last time such a contraction was witnessed was in the early 1700s. There remains a real prospect of mass unemployment, and with it, severe hardship.

The economic challenge necessitates two responses. Firstly, the unprecedented scale of the crisis calls for emergency policies to ensure that economic harm is minimised. Secondly, there must be a plan and vision for the post-crisis phase. The crisis has revealed the fragility of the present system and the need for rethinking and renewal in the way the economy is structured. Below, we highlight both the emergency measures required to alleviate the crisis, alongside a post-crisis vision for a better, more resilient economy. We criticise present emergency policies in the UK for leaving many people behind. We also argue that, in seeking a sustainable recovery path, there is a need for bolder reform. Simply restoring 'business as usual' will only reproduce the problems that existed prior to the crisis. Rather, we argue for a restructuring of the economy and the move to more democratic forms of governance that ensure economic security and well-being for the many. For us and a growing number of critics, the pursuit of economic democracy must be put at the centre of any post-crisis future. If we are all to lead healthy and meaningful lives, in short, we need to create a more democratic economy.

2. *Initial Policy Response – the UK case*

Governments have responded to the Covid-19 pandemic with rather similar economic policies. In essence, the focus has been on providing financial support for 'furloughed' workers, while offering loans and grants to businesses. Here emergency action has been prompted by the inability of economies to function as normal. In the UK, an array of unconventional policies has been implemented. These policies can be questioned, not least because of their failure to address the problems faced by the poorest and most vulnerable in society.

One key policy implemented by the UK government is the Covid-19 Job Retention Scheme (JRS). This was initially meant to run until the end of June 2020 but has now been extended to the end of October 2020. The JRS underwrites 80% of an employee's wage while not working but retaining employee status, up to a maximum of £2,500 per month. The scheme does not permit 'furloughed' workers to undertake any work for their employer and effectively mandates economic inactivity (though training and voluntary work are allowed). Latest data shows 7.5 million workers have been protected through the JRS – its existence has surely prevented a much larger increase in recorded unemployment.

The extension of the JRS until October has included some modifications to the scheme. Hence, from August, some workers will be allowed to return to work on a part-time basis. In this case, a taper will be applied to the JRS, with employers asked to pay more of the wages of 'furloughed' workers. A version of the JRS has also been rolled-out for the self-employed, but the delay until June and conditionality on prior profitability has inflicted considerable hardship on the poorest self-employed most in need of support (Blundell and Machin, 2020). Undoubtedly, the delay has caused the failure of some self-employed businesses.

While a welcome policy intervention, the JRS has clear limitations. Most obviously, it does not help those made redundant already or about to be made redundant. For these workers, the prospect is of a life on benefits. Universal Credit (UC) offers workers an income of less than a £100 per week. For those too ill to work, there is statutory sick pay of just £96 per week. There has been no major increase in statutory sick pay, even though the crisis has been associated with higher levels and duration of sickness. 3.7 million workers in insecure work (TUC, 2020) are not directly helped by the JRS – these workers face the same insecure work, on low pay, and for many who have continued to work during the crisis, there are obviously new health risks.

There is also uncertainty over the duration of the JRS. If the scheme is withdrawn too soon (and ahead of any recovery in economic activity), there is the risk that employers will make workers redundant, adding to unemployment. The JRS also fails to provide the security that could come from other interventions, most notably a universal basic income (UBI) – an issue we will pursue below. In addition, there is no provision in the JRS for short-time working – indeed, given the all-or-nothing nature of the scheme, reduced work hours are discouraged. In this sense, there is no wider appreciation of how cuts in work hours or work-sharing could take the place of job losses in mitigating the effects of the crisis.

There is also a failure to learn from international experience. For example, extensive subsidised work-sharing during the Great Recession enabled Germany to avoid higher unemployment (Brenke et al., 2011). As McGaughey (2020) points out, the JRS does not prevent employers from firing employees, and UK unemployment is rising rapidly, heading for 10% or more, while countries like Denmark or Germany which provide job security and operate work-sharing schemes have seen only slight increases in levels of unemployment.

Support for business in the UK consists mainly of loans and guarantees, including the Coronavirus Business Interruption Loan Schemes (CBILS) for small and medium sized enterprise (SME), and for larger firms. The Bank of England has a Term Funding Scheme with additional incentives for SMEs (TFSME). VAT payments have been deferred until the end of June 2020, and Self-Assessment payments until January 31, 2021. A temporary business rates holiday applies only to the retail, hospitality and leisure sectors. While these measures may help business to survive the immediate crisis and coming recession, they will only hamper recovery when demand is still weak and unemployment is high. Faced with repayment costs, many firms may then become insolvent. In this case, further job losses may have only been postponed rather than averted.

3. *Alternative Policies*

In light of the weaknesses of present policies in the UK, there is a clear need for an alternative set of policies – ones that go beyond those outlined above and that offer the basis for a more equitable and sustainable recovery. Below, we highlight some policies that could provide vital support immediately to those most affected by the crisis.

We begin with fiscal policy. Public spending in the UK is set to rise due to higher unemployment and lower tax receipts. It will also need to rise to help offset the effects of falling private consumption and investment – growth can only be maintained in the crisis, by the state increasing borrowing. The OBR reports that public borrowing in 2020-21 could rise to more than £300 billion. This borrowing is generally considered to be both necessary and manageable. Austerity, in the aftermath of the last crisis, was used to curb public borrowing, cut welfare for the most vulnerable and shrink the size of the state. This appealed to popular, 'media-macro' notions of 'sound finance' and was used by the government and media to present a balanced budget and lower public debt as essential ingredients for a sustainable economy. Such notions were promoted, despite the opposition of most economists, who called for an anti-austerity agenda. The unsurprising result was the slowest recovery from recession in two centuries, coupled with untold hardship for many millions of UK citizens. There are now few calls for any return to austerity, and with presently low and falling interest rates expected to persist, higher public borrowing is generally agreed to be both essential and affordable. In any event, recovery (aided by higher borrowing) will help to create higher tax revenue and will underpin the sustainability of higher public spending.

What is important is that borrowing by government is used for productive investment, including public goods that will not be provided by the private sector. The crisis has revealed the gaps and fragilities in the social provisioning system. These include the lack of basic equipment but also extend to the lack of trained staff. New investments in the health sector would help to provide new jobs while meeting the real needs of the community. These investments include the search for a vaccine, alongside the development of an effective track and trace system.

Given the depth of the crisis, there is a clear case for a wider expansion of the public sector, from education through to infrastructure (e.g. housing). Here acute and longstanding shortages in social provisioning could be addressed. Again an expansion in the public sector can be funded through government borrowing, without any adverse effect to the economy. Indeed, it may be seen as vital in putting the economy on an even keel and ensuring that basic social needs are met more successfully. Recovery, in short, means the state taking a more active role in the economy and augmenting the scale and scope of the welfare state.

An enlarged public sector would also be part of a ‘Green New Deal’ (GND). Labour displaced by the crisis could be remobilised via new investments in the economy, including large-scale retrofit schemes (the latter often ‘shovel-ready’ and quick to roll-out). In this case, the rapid transition to a zero-carbon economy would help to reduce unemployment, as well as create jobs that not only address urgent societal problems, but also provide worthwhile and meaningful activity (FitzRoy, 2019). A GND would be an important addition to emergency policy in the crisis.

Both to help pay for the policies mentioned above, and to reduce growing inequality, there is a need for more progressive taxes including higher taxes on capital income and direct taxation of wealth to replace regressive indirect taxation such as VAT and council tax. According to the ONS (2019), the poorest decile of households pays about 70% of their income as indirect taxes on consumption, while the top decile pays only 10%, while paying only 35% of their total income as taxes. The idea of raising taxes on the wealthy has been conspicuously absent from modern policy debates. Yet, in the UK, the richest 1% owns 20% of total net wealth, and higher earners have faced the least harm from the crisis – they have been able to avoid social contact by remote working and have been able to draw on financial reserves to protect their living standards during lockdown.

The poor, by contrast, have faced continued work patterns, often in unsafe environments with a lack of personal protective equipment (PPE). They have also suffered from poor housing and lack of access to the internet, with adverse consequences for home schooling. Low waged workers in the NHS, care services and transport, more than proportionately women and minorities, have borne the brunt of the crisis, with much higher infection and fatality rates than higher paid, white collar workers who can usually work from home and pay others to access the goods and services they require. According to official figures from the ONS (2020), age-standardised mortality rates involving Covid-19 were more than twice as high in the most deprived areas of England compared to the least deprived areas. The argument here would be that those with the broadest shoulders should bear the greatest costs, both of response to the crisis, and of supporting social services in the long run. Higher progressive taxes, in this case, appear compelling (FitzRoy and Jin, 2020).

By way of other emergency measures, there is the option to impose zero interest and mortgage rates, and suspend (not defer) all rental, regressive council tax and debt (re)payments, business rates and taxes for SMEs – the main fixed costs for households and businesses – for the duration of the crisis. In the context of continued enforced economic inactivity, such an option would be expedient and help to tackle some of the deep-seated sources of economic inequality in society.

Yet another option would be to expand and simplify UC in order to provide an immediate living income above the poverty level for those who are without work. The TUC (2020) recommends a rise in UC to £260 per week, with removal of the delays, conditionality and harsh sanctions that have been widely criticised, since it is evident that the present welfare system is not up to the challenge of the present crisis. The TUC also recommends a rise in weekly statutory sick pay to £320. Such policies would offer extra help to the unemployed and sick, but it is evident that, given the persistence of low paid work, part-time and precarious work, with workers struggling to get by, more comprehensive policies will be required. The New Economics Foundation (NEF, 2020), for example, has proposed a Minimum Income Guarantee of £221 per week, augmenting existing schemes to cover those who have been left on lower incomes.

As a more comprehensive – and expensive – option, an emergency UBI could play a crucial role, and being paid to everyone, would offer immediate financial support to workers, in a context where paid work is scarce and where low pay remains entrenched. Susskind (2020), formerly a UBI sceptic, points out that '£1,000 cash per person per month would cost the government about £66bn a month — a fraction of the nearly £500bn bailout the UK needed to stay afloat during the 2008 financial crisis'. The net cost would be much less because such a UBI could replace some means-tested benefits, and if taxed, would result in smaller net transfers to higher earners. For the least well-off in society, by contrast, a UBI would offer an immediate boost to income – indeed, it would provide a means to survive the crisis.

UBI also avoids the disincentive effects of high marginal effective tax rates, up to 70–80% imposed by the withdrawal of means-tested benefits when earnings increase. It would also help to empower workers in labour markets, enabling them to refuse unsafe work in the first instance, or at least insist on proper PPE if required to work in the crisis, and it would offer a long overdue bonus to the low paid and the unpaid homecare workers who have borne the brunt of the response to the crisis. Beyond that, it would enable workers to bargain for better pay and working conditions, and could pave the way for a long-term, modest UBI of about £300 per month which would need to be complemented by some means-tested benefits, full employment policies and a public sector job guarantee (FitzRoy and Jin, 2019).

Some businesses will need additional government assistance to remain solvent during the crisis and following recession. An equity stake in quoted companies seems an appropriate condition for direct cash grants in place of loans. In France and Germany, governments have offered financial support to large firms, in return for equity stakes. The UK government has discussed the possibility of adopting a similar scheme in the case of strategically important firms, though has yet to commit to any kind of bailout arrangements. The concern here is that the UK government's general reluctance to intervene in industry will create a barrier to support, not just in its extent, but also in its form. In particular, the opportunity may be missed to direct changes in the internal governance of firms.

One way forward would be to ensure that, where government grants financial support to firms, it do so with the requirement that the firms adopt meaningful co-determination and profit sharing. A new social contract could be implemented with the government requiring firms that receive support to democratise work. Such a requirement could pave the way for general legislation for economic democracy, a long overdue, fundamental reform recently supported by thousands of scholars in *The Guardian* (2020), reviewed in detail by FitzRoy and Nolan (2020), and discussed here in the next section below. In contrast, current policy (mostly based on furloughing and business loans) has no provision for reform in the workplace, and assumes a return to traditional governance and distribution structures. Yet, it is only by overturning these structures that we can build a more sustainable and fairer economy.

4. Post-emergency recovery and democratic reform

From the *FT* to *The Guardian* and the *TUC*, demands for a 'better recovery' have been proliferating, though obviously with differing emphasis. Perhaps the most immediate lesson from the crisis is that home working is feasible for at least 50% of the workforce, offering welcome flexibility and avoiding the costs and stress of commuting, though only about 5% of UK employees worked at home previously. Finland has long been the world leader in flexible working arrangements, contributing to its top ranking in world happiness and life satisfaction surveys (Dorling and Koljonen, 2020). Work beyond the crisis must involve flexibility as a legal right, not a basis for negotiation. In the UK, employee rights to flexible working should be enshrined in the law.

As unemployment rises, work sharing should be another priority. Many full time employees suffer from a 'long hours culture' in the UK as well as the US, and would prefer shorter working time even with a corresponding pay reduction, while part time work in the UK is mainly restricted to low paid, unskilled work, leading to problems of underemployment and in-work poverty (Bell and Blanchflower, 2018). The Netherlands would be the example to follow here, with the highest proportion of part-time workers in Europe, many of whom are highly skilled. In a further dimension of work sharing, Denmark, another of the happiest societies, has reduced the standard work week, resulting in the fewest hours worked among full time workers and improved work-life balance (FitzRoy and Nolan, 2020). Well-being and productivity can increase together with reduced work time, including a four-day week in some cases (Spencer, 2020; Kallis et al, 2013). In navigating a route out of crisis, short-time working would help to keep people in work, while preventing higher unemployment. In a post-crisis stage, it would create the basis for higher well-being, as the rewards of having a job combine with the benefits of longer hours of leisure.

To achieve the above reforms and expand the scope of 'better recovery', we note that large scale state aid for endangered firms offers an unprecedented opportunity to require radical reforms of the way business is organised. As argued above, in the UK at least, such conditionality for aid has yet to materialise, and even in countries like France and Germany where it exists, it has not extended to the wider reforms envisaged here. The depth and longevity of the crisis will mean that bailouts will be needed, and reform must be built into the recovery process, which is likely to be slower than many commentators had first expected and hoped. Chief priorities should be democratic self-determination in place of top-down, hierarchical 'command and control' by capital owners or their representatives. Here reform in governance structures would help to ensure high quality, flexible work for workers, and equitable distribution of the business surplus or profit among all who have created the surplus rather than exclusive appropriation by capital owners and their representatives, both of which have been the unrealised goals of a long line of historical reformers seeking 'justice in production' (Hsieh, 2008; Cumbers, 2020; Hyman, 2018; FitzRoy and Nolan, 2020).

The reform of governance in the way just described challenges traditional modes of thinking and practice. On the one hand, it upends the idea that the purpose of the firm is simply to maximise profit for owners, pursuing intrinsic job satisfaction as an objective only in so far as it increases profitability, like efficiency wages, by raising loyalty and motivation. Instead, there should be a stress on surplus sharing, pursuit of intrinsic reward in work, and the minimisation of drudgery as primary goals. The profit motive has tended to erode the quality of work and to minimise wages, and the main purpose of a reimagined firm would be to empower workers to reverse these trends and reduce the inequality and inefficiency generated by existing ownership and control with democratic management and goals for the firm.

Here it can be noted that the aspect of power in the employment relationship has been obscured in modern economics in several ways. Capital owners are seen to have a 'natural' right to hire labour because they can invest and pay wages before sales are completed. This then supposedly justifies their control of the firm to protect their investment, and to appropriate the surplus as a reward for risky investment, but it neglects the worker's risk of job loss which may be followed by prolonged unemployment and loss of livelihood. Workers are treated like other 'passive' factors of production, rather than intentional agents who are ultimately responsible for production and surplus, who should thus share the surplus on the upside since they already share the risks of firm decline or failure. There is also no wider regard to the historical origins of wage-labour and to the asymmetry in wealth and power between capital owners and workers.

Worker welfare is traditionally – and still widely– assumed to depend only on a wage which is equal to marginal revenue productivity in competitive markets where workers can easily find their optimal job match. More realistically, economies are 'sticky' and mobility and job-search are costly (Banerjee and Duflo, 2019), so employers generally have some monopsony power and ability to exploit workers for profit at the cost of lower welfare. Though the usually neglected importance of job quality for well-being has been emphasised recently by several economists (Layard, 2020; Barry et al, 2018; Clark, 2015; Budd and Spencer, 2015, Spencer, 2015; Green, 2006), this aspect of work is easily ignored when there is a surplus 'army of the unemployed' who are usually unskilled and desperate to find work of any kind.

Appalling working conditions for badly paid workers in privatised health care and Amazon warehouses have been graphically documented by Bloodworth (2018). Unpaid overtime is often required, and minimum wages undercut for precarious work in the under-regulated UK labour market (Sellers, 2019; Kalleberg, 2018).

Prior to the Covid-19 crisis, the weak bargaining power of workers and absence of productivity growth meant that average real wages had fallen since the financial crash of 2008. According to survey evidence, many UK employees find themselves in jobs that fail to match up with their preferences and needs (Bryson and MacKerron, 2017), and in general 'The declining quality of jobs has emerged as a key challenge for researchers and policymakers in the twenty-first Century' (Howell and Kalleberg, 2019).

The crisis-generated rise in unemployment can only exacerbate these problems. But, in the view of a growing number of observers, the crisis must also be a moment for re-evaluation and reform. At least with the right policies, it could lead the way to change in the control of firms and the organisation of work.

Interestingly, the JRS in the UK has helped to raise issues over the responsibility of firms towards workers, implying that firms should aim to retain as opposed to dismiss workers in response to the drop in sales. But, as argued above, there are limits to the JRS, not least its temporary nature. It is evident that, if firms are take their economic and social responsibilities more seriously, then they will need to be reformed in more radical ways. It is not just about supporting workers in work, but also about reforming the conditions under which they work. Here is where employee participation enters, as a mechanism for internalising the externality of worker well-being. Employee participation in management ranges from worker owned co-operatives to profit sharing, codetermination and works councils. It has a long record of improving motivation and productivity (Hyman, 2018; Michie et al, 2018). For the purposes of this discussion, it is central for creating a future with democratic firm governance and organisation. Economic democracy is needed not only to realise the natural right to self-determination which has been systematically excluded from the workplace, but also to attain efficient work organisation when worker well-being is a joint product of all work activity and depends on the quality of work in addition to wages, leisure and consumption.

A key component of recovery from the crisis, which would be facilitated by large scale government support of business, should thus be legislation to require the election of a works council in all but the smallest firms, with parity co-determination of all managerial decisions affecting work organisation. To attain a fair distribution of the surplus, profit sharing should be included in all employment contracts, together with flexibility, opportunity for part-time and home working, and risk – or work – sharing in the form of reduced hours for affected workers instead of job loss or layoffs in response to declining demand and sales.

The success of worker owned co-operatives has been well documented (Michie et al, 2018), but they remain rare due mainly to capital and liquidity constraints and lack of support from government and banks. Subsidies for employee buyouts and co-operative or labour managed start-ups would offer new employment opportunities and long-term social benefits from economic democracy, putting additional pressure on conventional, capital owned firms to provide matching job quality and other benefits (Groot and van der Linde, 2017).

There is a complementary need for collective bargaining to be recognised and re-established in all sectors for fair wage determination with democratic employee representation. To avoid lingering, chronic unemployment after the worst of the crisis is over, fiscal policy needs to embrace an explicit full-employment policy, a goal which has long been abandoned in favour of deficit obsession, tax cuts for the rich and resulting reductions in welfare outlays for the poor to ensure a 'balanced budget' for which there is only ideological rather than economic justification (Skidelsky, 2018). The results in the UK have included growing destitution and child poverty to the highest levels in Western Europe before the crisis, with life-long negative consequences for those affected, according to a UN Special Report (Alston, 2019).

However, the urgency of rapid transition to a zero-carbon economy now offers the possibility of raising employment with labour-intensive, large scale public investment in renewable energy and retrofitting for efficiency, including a variety of 'shovel ready' projects, under a GND. Thus, many cities are actively planning to expand cycle use walking facilities to reduce car traffic, gridlock and the urban air pollution responsible for around 60,000 annual deaths prior to the crisis in the UK (Mathew, 2020).

Generally improving the quality of work through democratic codetermination combined with income redistribution to reduce inequality and alleviate poverty could increase average happiness and life satisfaction, and replace the environmentally destructive pursuit of GDP growth and material consumption which has systematically failed to raise average life satisfaction in advanced economies. This is known as the Easterlin Paradox because higher incomes are weakly correlated with happiness in cross sectional surveys at any point in time, in part because higher earners usually have better and more satisfying jobs and experience less unemployment. Most of the benefits of growth under neoliberal policies over the past four decades have been appropriated by the rich, and rising inequality has had debilitating effects on society (Rojas, 2019; Stiglitz, 2019; Wilkinson and Pickett, 2018).

Peer group or comparison income has long been observed to have negative effects on well-being, and this encourages rivalry and competition at work, conspicuous consumption, and longer working hours (Layard, 2020). High quality work and intrinsic job satisfaction are inconspicuous and non-rivalrous, as well as requiring work-life balance in place of overwork to gain promotion and 'keep up with (or overtake) the Joneses', so positive externalities can be expected from democratic reform of work organisation.

Since some residual and transitory un – and – under employment will remain despite macroeconomic policies for full employment, a modest UBI to smooth unavoidable income fluctuation could be combined with tax reform to replace the highly regressive personal tax allowances and indirect taxes to effectively redistribute income. A public sector job-offer with training opportunities for the most disadvantaged could complement even a modest UBI to raise all household incomes above the poverty level and avoid the stigma of long-term unemployment (FitzRoy and Jin, 2019). This combination of policies also avoids major problems with exclusive reliance on a job guarantee which have been eloquently expounded by Standing (2020) but would still require some means-tested benefits for incapacity and housing as well as expanded UC for support during temporary unemployment.

Finally, the sense of equity in work would extend to using technology to raise work quality and to curtail average work time. The maintenance of full employment, coupled with stronger democratic institutions, would bring forth the possibility for a just society, wherein good work coexists with more leisure and an end to scarcity. To this extent, the economic and social outcomes of a post-crisis world would be superior to the pre-crisis one.

5. Political obstacles (and opportunities)

Of course, in reimagining and shaping the future, there are political obstacles to overcome. There are always some groups that lose out from fundamental reform, and business lobby groups, in particular, are likely to push for a return to the status quo ante. And conservative politicians will also resist change. Since the losses would be mainly borne by the small group of the super-rich and their agents, there will be strong incentives for this group to make major and easily co-ordinated efforts in resistance, while the benefits of reform are widely spread over most of the rest of the population, making co-ordination more difficult.

Kalecki, in a famous article published in 1943, wrote about the political obstacles to full employment. Capitalist employers required unemployment to retain the effectiveness of ‘the sack’. They also wanted to retain their ability to exercise control over the economy. While capitalist employers would benefit from higher profit in the event of the government pursuing full employment policies, they would still resist such policies because of the political effects of such policies on their right to manage.

But the political obstacles identified by Kalecki alert us to the reforms required in work and society more generally. In bringing democracy to the workplace, cooperation can be secured, without the threat of unemployment. And with society organised on principles of democracy, not rule by capital owners and their representatives, there is scope to achieve high surpluses with full employment.

In the present crisis, there is the risk of unemployment becoming entrenched, centralising power and preventing democratic change. Again this is where reform is needed, both to challenge and reform power relations. But the crisis also opens up space for a different politics – one where economic democracy is enhanced.

There is also a general lack of imagination about the future, resulting from inurement to the present. Many of us are so used to present circumstances that we find it difficult to imagine a future where we live and work differently, so radical reform is dismissed as utopian. The concern at present is that the crisis creates even greater pessimism, or worst still, a retreat to extreme politics, where division replaces cooperation in politics.

Keynes, in another classic essay, wrote positively about the economic possibilities for the future. Writing in the depth of the great depression, Keynes looked forward to a time where abundance would replace need and free time would replace drudgery. The parallels with the present are stark. Hence Keynes wanted his reader to think beyond the crisis – indeed, he wanted his reader to keep alive the idea of – and strive for – a better future. Now, we can argue that a similar optimism is needed in order to rebuild the economy.

A missing aspect of Keynes's essay was the idea of democratic reform in work. Keynes was confident – if unrealistically so – that capitalist employers would pass on the benefits of productivity growth to workers. What he failed to envisage was how capitalism would require deeper reform to achieve the kind of shared future he wanted to achieve. Here Kalecki was more conscious of the changes required to transform society for the better.

The general point is that while the crisis creates hardship, it also offers an opportunity to rethink how we organise work. Conservative politics will try to hold back necessary reform to conserve concentrated power, privilege and wealth, but that only illustrates the need for such reform to occur. In the end, there is no other way to live better than to democratise the institutions that govern the way we work.

6. Conclusions

This paper has discussed current economic policies in response to the crisis and has found them seriously wanting. The most vulnerable individuals are inadequately protected, and loans in support of business will have to be repaid when economic recovery is likely to remain fragile for a long time to come. More generous grants and transfers would have huge returns both in terms of well-being and material productivity, and are eminently affordable at a time when interest rates are expected to remain close to zero for the foreseeable future. With a likely slow recovery from major, world-wide depression, there is little danger of inflation.

Calls for a 'better recovery' can only be comprehensively realised with economic democracy – worker participation in management in place of exclusive control by capital owners to improve the quality of work, and equitable sharing of the profit or surplus which is produced by the efforts of workers as intentional agents rather than passive inputs or factors of production. Such reforms generally increase both productivity and well-being but are traditionally resisted by owners and managers who fear loss of control and redistribution from their current position of profiting from the extreme inequality in wealth and power. Strong political opposition from the current beneficiaries of this inequality is inevitable and can only be overcome by widespread popular understanding of the benefits for a majority from economic democracy and redistribution. There is no better time than now to reform the economy in which we live.

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